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HIGH PLAINS ENERGY INC.

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING
OF SHAREHOLDERS**

2003 ANNUAL REPORT

INFORMATION CIRCULAR



HIGH PLAINS ENERGY INC.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT AN ANNUAL GENERAL AND SPECIAL MEETING OF HOLDERS OF COMMON SHARES OF HIGH PLAINS ENERGY INC. (the "Corporation") will be held at the Glacier Lily Room - Mezzanine Level, Sheraton Suites, Calgary Eau Claire, 255 Barclay Parade S.W., Calgary, Alberta, on **WEDNESDAY, MAY 19, 2004** at 10:00 a.m. for the following purposes:

1. to receive and consider the financial statements of the Corporation for the fiscal year ended December 31, 2003 and the report of the auditor thereon;
2. to fix the number of directors of the Corporation at five (5);
3. to elect the Board of Directors of the Corporation for the ensuing year;
4. to appoint the auditor of the Corporation for the ensuing year and to authorize the Board of Directors to fix the auditor's remuneration;
5. to approve, adopt and ratify, with or without modification, the ordinary resolution, as more particularly set forth in the Management Information Circular, relating to a new stock option plan for the Corporation;
6. to transact such other business as may be properly brought before the meeting or any adjournment thereof.

DATED this 19th Day of April, 2004.

BY ORDER OF THE BOARD OF DIRECTORS

"Harold E. Bowman" (signed)

Harold E. Bowman
President and Director

IMPORTANT

It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. All proxies, to be valid, must be received by Valiant Trust Company, 510, 550 - 6th Avenue S.W., Calgary, Alberta T2P 0S2, at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

2003 HIGHLIGHTS

CORPORATE EVALUATION

(000's of Canadian Dollars except per share amounts)

As at December 31, 2003

PROVED PRODUCING RESERVES	DEC. 31, 2003	DEC. 31, 2003
Oil and Gas reserves-discounted at 10% (1)	\$4,604 (a)	\$5,494 (b)
Undeveloped & Non- Producing oil and gas rights (2)	2,207	2,207
Current assets – liabilities (3)	5	5
Other assets – net (3)	(45)	(45)
Total Asset Value	<u>\$6,771</u>	<u>\$7,661</u>
Total asset value per share (4) fully diluted	<u>\$1.13</u>	<u>\$1.28</u>

Notes to Dec. 31, 2003 Calculation

- (1) (a) Evaluation by Paddock Lindstrom and Associates effective December 31, 2003 using Forecast Prices and Costs.
 (b) Evaluation by Paddock Lindstrom and Associates effective December 31, 2003 using Constant Dollar Prices and Costs.
Note that this evaluation considered only Proved Producing Properties after Alberta Royalty Tax Credit and excludes Proven Developed Non-Producing Reserves, Proven Undeveloped and Probable Reserves.
- (2) Gross Acreage U.S. and Canada: 212,919 acres (86,202 Has) (Approximate).
 Net Acreage U.S. and Canada: 159,805 acres (64,698 Has) (Approximate).
 Canadian Land Values estimates provided to the Corporation by Davron Enterprises, Calgary, Alberta and U. S. (Montana) Land Values estimates provided to the Corporation by Pega Petroleum Inc. Shelby, Montana, USA.
- (3) Audited Values plus assumed stock exercise values.
- (4) Calculated on 5,990,669 fully diluted shares outstanding at December 31, 2003.

RESERVES AND LAND BREAKDOWN

	AREA	VALUE (\$ 1000's)	NET BOE BBLs.
PROVED PRODUCING RESERVES	CANADA	\$1,187	116,000
	MONTANA, USA	\$3,417	290,700
	TOTAL RESERVES	\$4,604	406,700
UNDEVELOPED LANDS & OIL AND GAS RIGHTS	CANADA	\$ 520	
	USA	<u>\$1,687</u>	
	TOTAL LANDS	\$2,207	
TOTAL VALUE PROVED PRODUCING RESERVES AND UNDEVELOPED LANDS		\$6,811	

Message from the President

HIGHLIGHTS

- ◆ **Net Asset Value per share (fully diluted):** \$1.13 fully diluted (5,990,669 common shares).
- ◆ **Total Proved Developed Producing reserves** increased by 9,000 BOE over last year.
- ◆ **Developed and Undeveloped Acreage (Has) in the United States and Canada:**

	GROSS		NET	
	ACRES	HAS	ACRES	HAS
DEVELOPED	26,861	10,875	10,779	4,364
UNDEVELOPED	212,919	86,202	159,805	64,698

- ◆ **Property and Equipment Value after Depreciation and Amortization:** \$3,847,418
- ◆ **Chedderville 5-29-37-7W5 Leduc Well** (25.96% working interest) resumed production in September 2004 at the rate of approximately 700 MCFD and 20 barrels per day of condensate. Chedderville 6-30-37-7W5 well re-equipped to take Basal Quartz sweet gas for fuel for 5-29 sour gas processing plant. During December 2003, Chedderville added more than 30 barrels of oil equivalent per day of production net to the Corporation.
- ◆ **Evaluation** of Maple Creek property resumes after a two-year suspension due to joint venture change.
- ◆ **New gas well** in Prairie Dell Field tested at the rate of 180 MCFD (100% working interest).
- ◆ **Engineering** review by independent Engineer grades and prioritizes the Corporation's undeveloped reserves to guide the development program in 2004. The recommended program for 2004 involves the drilling or recompletion of 9 wells in Canada at a cost of approximately \$2,000,000. An additional four new development wells to be drilled in 2004 are advocated for the Montana properties.
- ◆ **Credit** line established with bank provides a \$1,750,000 credit line for development and a further credit line of \$500,000 for acquisitions.

BUSINESS PLAN

In July 2003, Mr. Ben Anderson, P. Eng., was commissioned to review the evaluation of the Corporation's reserves dated effective December 31, 2002 performed by Citadel Engineering Ltd. The purpose of the review was to objectively scrutinize the undeveloped and non-producing reserves to design a program for development and exploitation best suited to increase the proved producing reserve volumes and thusly the Corporation's cash flow. The proposed plan, with a capital budget of approximately \$2,000,000, is targeted to yield an increase of approximately 150 barrels of oil or equivalent per day and an incremental cash flow of approximately \$1,000,000 per year. The business plan will continue a balanced program of exploration, development and when economics prove effective, by acquisition.

Some of the recommendations are as follows:

In Alberta

In the Chedderville-Ferrier Area, re-activate the Leduc production in the 6-30-37-7W5 well, redrill the 10-36-37-8W5 Cardium well for Edmonton Sand potential, participate in the re-entry of the 6-11-38-8W5 well on the Farmin lands adjacent to the 10-36 well, drill an offset to the 6-11 re-entry if the results there warrant, and consider drilling a twin to the 6-30-37-7W5 well for Edmonton Sand, Cardium and Mannville potential.

In the Willesden Green (Medicine River) Area drill a twin to the present well at 6-10-38-5W5 to capture gas and condensate in the Mannville Section. The zone's potential was verified by early gas production attempts but production was halted in the early 1990's because of the lack of infrastructure. Also in the Willesden Green Area, drill an offset to our present Cardium producer to exploit the multi-zone potential of the lands.

In the Manyberries Area, the plan provides for the redrilling of a well on our lands which suggest bypassed potential.

In the Romeo Area, the plan is to immediately tie-in a well which has been shut-in by the operator and which is presently being drained.

In the Coutts Area, workover the Coutts well to improve the present production.

In Saskatchewan

In the Arena Senate Area, the plan recommends production testing of three shut-in wells and placing them on production. It also recommends the drilling of a new well offsetting production.

In the Dollard Area, an offset to a recently completed Upper Shaunavon Oil well is recommended.

In the Maple Creek Area, production tests, equipping and tie-in is recommended for four suspended wells.

In Montana

Deepening of a recently suspended well in Hill County is recommended to test a seismic anomaly suggesting a buildup of channel sands similar to the Glauconite Channels of Alberta. Three shallow Eagle (Milk River) and/or Second White Speckled Shale wells are planned for 2004 pending a regional geological study relating the Alberta environment to Montana.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITIONS:

In Canada, in the **Chedderville Area of Alberta**, the Corporation completed production tests on the Chedderville 5-29-37-7W5 Leduc Formation Gas Well; the twenty-one day production test resulted in production of Natural Gas at an average rate of more than 700 MCFD and condensate at the rate of more than 13 BOE per day and no water. The Corporation has a 25.96% working interest in the well. The 5-29 well resumed production in late September at the gross rate of more than approximately 700 MCFD plus condensate. In December 2003, Chedderville provided the Corporation with additional production of approximately 30 BOE/D of production at an average daily net rate of approximately 115 MCFD and 8 BBLS of condensate even though the well was shut-in for a time for plant design changes.

The five day production test of the Basal Quartz Zone in the Chedderville 6-30-37-7W5 well (the Corporation farmed out the zone and has 15% Gross Overriding Royalty attached to an undivided 28.38% working interest in the well) resulted in the production of Natural Gas at the ineptual rate of approximately 1.7 MMCFD with some condensate, however, pressures quickly declined below transmission line pressure (1020 lbs/ft²). The operator contemplates producing the zone intermittently to yield an average 100 to 180 MCFD plus some liquids. The gas may be used by the operator to provide fuel for the processing of the sour gas from the 5-29-37-7W5 well. With respect to the Leduc Zone in the well (the Corporation has an undivided 28.38% working

interest in that zone in the well) the Corporation's consulting engineers are recommending that the Leduc Zone be re-opened and a production test similar to that performed on the 5-29 well be undertaken as a prelude to continuous production of the Leduc Reef Formation.

Production facilities serving both of these wells have been upgraded for continuous production.

In the **Craig Lake Area**, in view of production problems, high pipeline pressures and high operating costs, a Farmout of our lands was considered desirable and was completed. The Farmee successfully drilled the earning well and placed it on production. The Corporation farmed out its approximate 72% working interest in the well and now has a Gross Overriding Royalty of 12.5% attached to that working interest.

In the **Ferrier Area, Alberta**, the Corporation has entered a Farmin to re-enter an abandoned well in 6-11-38-8W5. Log analysis indicates passed pay in the Lower Mannville Section. Earning in the Farmin lands considerably expands the project's breadth and depth of potential reserves and provides the Corporation with a major expansion opportunity. Some other offsetting lands have also been secured for the redrilling of the Ferrier Cardium Oil well and the development of potential gas bearing shallow zones. The re-entry is expected to commence in the Second Quarter of 2004 when a rig is available. The redrilling of the 10-36-37-8W5 Cardium well was postponed pending the completion of a Farmin agreement with the interest holder in the balance of the section. The Farmout has been completed and the program is once again being considered as part of the business plan.

In **Saskatchewan, in the Maple Creek Area**, the operator has completed the logging of two of the wells which have been standing since the Velvet-El Paso merger. Zones have been selected which will be perforated and tested prior to fracing. Four other wells are standing and programmed to be logged, perforated and tested after the spring breakup and when services and equipment are available.

In **Montana**, an infill gas well has been drilled, tested and tied into our gathering system in the **Prairie Dell Field in Toole County**. The well tested approximately 180 MCFD and went on production in August 2003 at a rate of 100 MCFD to bolster our Montana production. Other locations in the Prairie Dell Area are being assessed.

The **Prairie Dell Gas Plant** processing sequence is being reviewed for optimization. In its present state, the high summer temperatures experienced last summer tax the facility and inhibit production. The addition of new wells and reserves in the future probably will require some additional equipment or refurbishment of the present facility. Possible expansion and or solutions that are being studied are an improvement in the refrigeration and upgrading or adding to the compressor package.

Development drilling in the **Gildford Area**, Hill County, Montana, was delayed until early in 2004 due to the lack of drilling and service equipment availability. One well was drilled on the Gildford Anticline in January 2004 and is presently standing after a potential well blowout from the Eagle Formation was controlled. Drilling is expected to resume in the second quarter of 2004.

The Cejan 1-7 and 1-7D have been shut-in and will not resume until late in the second quarter of 2004 when an operational review has been completed and field and weather conditions are less inclement. Initially, water disposal and production problems escalated operating costs to prohibitive levels. The plans to improve those factors were frustrated by the lack of suitable operations personnel and then later by weather as well so it was decided to postpone any further production operations until those factors had been resolved.

High Plains has an aggressive program and plans to finance it through a combination of debt and equity financing, farmouts and cash flow from our operations. Interested parties are looking at our properties in Montana, Alberta and Saskatchewan for participation and farmout. A Credit Facility has been finalized with a major bank which provides for a revolving loan, in the amount of \$1,750,000, to be used for the development of our Petroleum and Natural Gas Reserves and another Credit Facility, in the amount of \$500,000, has been finalized with the same bank to be used for the acquisition of Petroleum and Natural Gas reserves. As of this

date, none of the credit has been drawn down.

Our undeveloped land inventory totals more than approximately 86,202 Has. Gross (64,698 Has. Net). Of these, 74,338 Has. Gross (60,571 Has net) are located in Montana while 11,864 Has. Gross (4,175 Has. Net) is located in Canada. The value according to the estimates provided by the Corporation's land consultants is approximately \$2,260,000.

Management's Financial Discussion and Analysis

For the years ended December 31, 2003 and 2002

This discussion of the financial condition and results of operations for the Company should be read in conjunction with the audited financial statements for the years ended December 31, 2003 and 2002.

Forward-looking Statements

This disclosure may include statements about expected future events and financial results that are forward-looking in nature and subject to substantial risks and uncertainties. The Company cautions that actual performance will be affected by a number of factors, many of which are beyond its control.

Revenue

Petroleum and natural gas revenue for the twelve months ended December 31, 2003 was up 47% from the year ended December 31, 2002. The change was primarily due to increases in average per BOE prices to \$44.06 for 2003, up from \$30.73 in 2002. Net operating income averaged \$28.79 per BOE in 2003, a 54% increase over \$18.70 in 2002, with sales volumes increasing slightly to 109 BOE/day in 2003 from 107 BOE/day during 2002.

Royalties

Royalty expense during the year increased to an average of 13% of revenue or \$5.73 per BOE, compared to 11% of revenue or \$3.45 per BOE in 2002, reflecting the effect of increased commodity prices on the calculation of royalties.

Operating Expenses

Operating expenses for 2003 increased 23% on relatively consistent production volumes, resulting in per BOE costs of \$9.54 per BOE, up from \$8.58 per BOE in 2002.

General and Administrative Expenses

General and administrative expenses, net of overhead recoveries, increased 31% to \$12.09 per BOE in 2003, up from \$9.24 per BOE in 2002, primarily due to the increased effort expended in relation to the U.S. properties. The Company continues its policy of not capitalizing any general and administrative expenditures.

Depletion, Depreciation and Site Restoration

Depletion, depreciation and site restoration increased 32% to \$6.29 per BOE for 2003, up from \$4.87 per BOE in 2002. Under the new reserve definitions pursuant to form 51-101F, total proved developed reserves increased over year-end 2002, however, proved undeveloped reserves were excluded from the independent reserve evaluation at January 1, 2004. Increased asset balances subject to depletion also contributed to the increase. As a result, Fourth Quarter 2003 depletion, depreciation and site restoration was \$113,956, \$10.15 per BOE, up from \$49,869, \$5.04 per BOE for the Three Months ended September 30, 2003.

In addition, during the Three Months ended December 31, 2003, the carrying value of certain U.S. processing facilities has been reduced by \$134,437 to its salvage value, reflecting the assignment of no oil and gas reserves to the related oil and gas properties.

Impairment Test

A ceiling test calculation is performed to ensure that the net book value of oil and gas properties does not exceed the estimated future net revenue of the Company's proven reserves less site restoration and abandonment costs, and general and administrative costs. The ceiling test calculation at December 31, 2003 indicates no impairment of the assets.

Capital Expenditures

Intangible drilling comprised 68% of capital expenditures during 2003, with Land making up 17%, and Lease and well equipment accounting for 7%.

	Canada	United States	Total
Land	\$26,562	\$53,046	\$79,608
Geological & geophysical	-	16,899	16,899
Intangible drilling	97,517	228,178	325,695
Lease and well equipment	2,550	29,195	31,745
Facilities	-	16,618	16,618
Office Equipment	6,915	-	6,915
	\$133,544	\$343,936	\$477,480

Tax Pools

At December 31, 2003, High Plains had approximately \$ 2.4 million of tax pools available to reduce taxable income in future years. In addition, the Company had \$0.6 million of successor pools which it expects will not be utilized.

	(\$ millions)
Canadian oil and gas property expense	0.1
Canadian exploration expense	1.1
Canadian development expense	1.0
Foreign exploration and development	0.1
Undepreciated capital cost	<u>0.1</u>
	2.4

During the Fourth Quarter, a prior period adjustment was made to reflect an increase of \$269,300 in the United States future income tax liability.

Liquidity and Capital Resources

At December 31, 2003, High Plains had \$156 thousand of cash, compared to \$93 thousand at year-end 2002. The Company also had a revolving operating line of credit and a non-revolving demand loan in place with a Canadian bank at December 31, 2003. No amounts are outstanding at December 31, 2003 on these credit facilities.

Recent Financial Reporting Developments

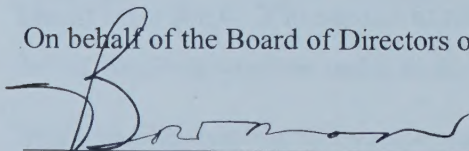
In September 2002, the CICA approved Section 3063, "Impairment of Long-Lived Assets" which established standards for the recognition, measurement and disclosure of the impairment of long-lived assets, and applies to long-lived assets held for use. An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The Company adopted this impairment test effective with the Fourth Quarter of 2003.

In September 2003, the CICA issued Accounting Guideline 16, "Oil and Gas Accounting – Full Cost", replacing Accounting Guideline 5, "Full Cost Accounting in the oil and gas industry". The new guideline limits the carrying value of oil and natural gas properties to their fair value. The fair value is equal to estimated future cash flows from proved and risked probable reserves using future price forecasts and costs discounted at a risk-free rate. The Company adopted this guideline effective with the Fourth Quarter of 2003.

In December 2002, the CICA issued Section 3110, "Asset Retirement Obligations". This section requires the recognition of the fair value of the retirement obligation for related long-term assets as a liability. Retirement costs equal to the retirement obligation are capitalized as part of the cost of the associated capital asset and amortized to expense through depletion over the life of the asset. In subsequent periods, the liability is adjusted for the passage of time and any revisions in the amount or timing of the underlying future cash flows. The changes in the liability due to the passage of time is measured by applying an interest method of allocation to the opening liability and is recognized as an increase in the carrying value of the liability and an expense. The expense must be recorded as an operating item in the income statement, not as a component of interest expense. A change in the liability resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows is recognized as an increase or decrease in the carrying amount of the liability, with an offsetting increase or decrease in the carrying amount of the associated asset. The Company will adopt this section effective with the First Quarter of 2004.

Effective January 1, 2003, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for stock-based compensation. As permitted by this new pronouncement, the Company prospectively adopted the fair-value method of accounting for stock options granted on or after January 1, 2003, with a corresponding increase recorded as contributed surplus. Compensation expense for options granted during 2003 is based on the estimated fair values at the time of the grant and the expense is recognized over the vesting period of the option. The Company recognized \$15,570 of compensation expense for options granted during 2003. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. The Company has incorporated an estimated forfeiture rate of nil. In the event that vested options expire without being exercised, previously recognized compensation expense associated with such stock options is not reversed. No options were granted during 2002.

On behalf of the Board of Directors of the Corporation



by HAROLD E. BOWMAN, President and CEO

Dated April 19, 2004



**KENWAY
MACK
SLUSARCHUK
STEWART_{LLP}**
Chartered Accountants
www.kmss.ca

High Plains Energy Inc.

Consolidated Financial Statements

December 31, 2003 and 2002

Auditors' Report

To: The Shareholders of
High Plains Energy Inc.

We have audited the consolidated balance sheets of **High Plains Energy Inc.** as at **December 31, 2003 and 2002** and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Kemway Mack Slusarchuk Stewart LLP

March 29, 2004

Chartered Accountant

220, 333 – 11 Avenue S.W.
Calgary, Alberta T2R 1L9
Telephone: (403) 233-7750
Fax: (403) 266-5267



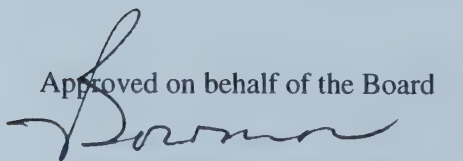
Member of DFK International
with affiliated offices worldwide

High Plains Energy Inc.

Consolidated Balance Sheets

As at December 31,	2003	2002
		(restated - note 2)
Assets		
Current assets		
Cash and cash equivalents (note 5)	\$ 156,965	\$ 93,314
Accounts receivable	288,539	213,624
Prepaid expenses	87,786	-
Due from director	-	17,376
	533,290	324,314
Refundable drilling deposit (note 6)	84,024	81,474
Future income taxes (note 10)	425,000	350,000
Petroleum and natural gas properties and equipment (note 7)	3,847,418	3,724,956
	<u>\$ 4,889,732</u>	<u>\$ 4,480,744</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 510,438	\$ 500,020
Income taxes payable	17,838	-
	528,276	500,020
Provision for future site restoration	193,177	162,427
Future income taxes (note 10)	361,000	344,300
	<u>1,082,453</u>	<u>1,006,747</u>
Shareholders' equity		
Share capital (note 9)	1,559,320	1,559,320
Contributed surplus	17,490	1,920
Retained earnings	2,230,469	1,912,757
	<u>3,807,279</u>	<u>3,473,997</u>
	<u>\$ 4,889,732</u>	<u>\$ 4,480,744</u>

Approved on behalf of the Board



Director



Director

High Plains Energy Inc.
Consolidated Statements of Income

Years ended December 31,	2003	2002
Revenue		
Petroleum and natural gas	\$ 1,759,851	\$ 1,200,204
Royalties	(228,794)	(134,884)
	<u>1,531,057</u>	<u>1,065,320</u>
Expenses		
General and administrative	482,687	360,829
Operating	380,975	335,202
Depletion, depreciation and site restoration	251,330	190,280
Reduction in value of processing facilities (note 8)	134,437	-
Loss (gain) on foreign exchange	2,872	(47,666)
	<u>1,252,301</u>	<u>838,645</u>
Income before income taxes	<u>278,756</u>	<u>226,675</u>
Income taxes (recovery) (note 10)		
Current	19,344	(2,421)
Future	(58,300)	134,000
	<u>(38,956)</u>	<u>131,579</u>
Net income for the year	<u>\$ 317,712</u>	<u>\$ 95,096</u>
 Basic earnings per share	 <u>\$ 0.06</u>	 <u>\$ 0.02</u>
Diluted earnings per share	<u>\$ 0.06</u>	<u>\$ 0.02</u>
 Basic weighted average number of shares outstanding	 <u>5,630,669</u>	 <u>5,374,779</u>
Diluted weighted average number of shares outstanding	<u>5,662,041</u>	<u>5,676,198</u>

See accompanying notes

High Plains Energy Inc.

Consolidated Statements of Retained Earnings

Years ended December 31,	2003	2002
		(restated - note 2)
Retained earnings, beginning of year		
As previously stated	\$ 2,182,057	\$ 2,086,961
Prior period adjustment (<i>note 2</i>)	<u>(269,300)</u>	<u>(269,300)</u>
As restated	1,912,757	1,817,661
Net income	<u>317,712</u>	<u>95,096</u>
Retained earnings, end of year	<u>\$ 2,230,469</u>	<u>\$ 1,912,757</u>

See accompanying notes

High Plains Energy Inc.

Consolidated Statements of Cash Flows

Years ended December 31,	2003	2002
Operating activities		
Net income for the year	\$ 317,712	\$ 95,096
Items not affecting cash:		
Depletion, depreciation and site restoration	251,330	190,280
Reduction in value of processing facilities (<i>note 8</i>)	134,437	-
Future income taxes	(58,300)	134,000
Stock-based compensation expense	15,570	-
	660,749	419,376
Change in non-cash working capital related to operations (<i>note 13</i>)	-	83,979
	660,749	503,355
Investing activities		
Refundable drilling deposit	(2,550)	(4,135)
Expenditures on petroleum and natural gas properties and equipment	(477,480)	(871,891)
Changes in non-cash working capital related to investing (<i>note 13</i>)	(134,444)	(654,960)
	(614,474)	(1,530,986)
Financing activities		
Due from (to) director	17,376	(49,232)
Proceeds on exercise of stock options	-	82,500
	17,376	33,268
Increase (decrease) in cash and cash equivalents	63,651	(994,363)
Cash and cash equivalents, beginning of year	93,314	1,087,677
Cash and cash equivalents, end of year	<u>\$ 156,965</u>	<u>\$ 93,314</u>
Cash and cash equivalents consists of:		
Cash	\$ 156,965	\$ 211,634
Operating line	-	(118,320)
	<u>\$ 156,965</u>	<u>\$ 93,314</u>

See accompanying notes

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

1. Nature of operations

High Plains Energy Inc. (the "Company") is engaged in the exploration for and production of petroleum and natural gas predominately in Western Canada and the United States. The Company was incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange.

2. Prior period adjustment

In completing the accounting for the fiscal year ended December 31, 2003, it was determined that the total tax basis of assets in the United States was not correct. The prior periods presented have been retroactively restated to reflect an increase in the future income tax liability as at January 1, 2002 of \$269,300, and a corresponding decrease in retained earnings of the same amount. There was no effect on income for the years presented.

3. Change in accounting policy

Stock based compensation

Effective January 1, 2003, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for stock-based compensation. As permitted by this new pronouncement, the Company prospectively adopted the fair value method of accounting for stock options granted to employees and directors. Stock-based compensation is recorded in the consolidated statements of income as a separate expense for all options granted on or after January 1, 2003, with a corresponding increase in equity recorded as contributed surplus. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital.

The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for forfeitures as they occur. In the event that vested options expire without being exercised, previously recognized compensation expense associated with such stock options is not reversed.

Compensation expense for options granted during 2003 is based on the estimated fair values at the time of the grant and the expense is recognized over the vesting period of the option. The Company recognized \$15,570 as compensation expense for options granted during 2003 (see note 9 for further details).

4. Summary of significant accounting policies

(a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Griffon Petroleum Inc. and Northern Gas Marketing Inc. The subsidiary companies are incorporated in the United States.

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

4. Summary of significant accounting policies (continued)

(b) Petroleum and natural gas properties and equipment

Capitalized costs

The Company follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the acquisition, exploration for and development of petroleum and natural gas reserves are capitalized in cost centers by country. Capitalized costs include lease acquisition costs, geological and geophysical activities, and costs of drilling productive and non-productive wells and the cost of petroleum and natural gas equipment.

Proceeds from the disposition of petroleum and natural gas properties and equipment are applied to reduce the capitalized costs and no gain or loss is recognized on the disposal of petroleum and natural gas properties and equipment unless such disposition would alter the rate of depletion by 20% or more.

Depletion

Depletion of petroleum and natural gas properties and depreciation of well equipment are calculated using the unit-of-production method based on total estimated proven petroleum and natural gas reserves, before royalties, together with estimated future capital costs associated with proven reserves, as determined by the Company and independent engineers. Relative volumes of petroleum and natural gas reserves and production are converted to a common measure on the basis of their relative energy content of six thousand cubic feet of natural gas to one barrel of oil. Other equipment is provided for on the straight-line basis at 20% per annum.

Impairment test

In applying the full cost method, the Company calculates a ceiling test for each cost center whereby the carrying value of petroleum and natural gas properties and equipment is compared at each reporting period to the sum of the undiscounted cash flows expected to result from the future production of proved reserves and the sale of unproved properties. Cash flows are estimated using third party quoted forward prices, adjusted for transportation and quality, less estimated costs directly associated with the development, production and sale of reserves. Should the ceiling test result in an excess of carrying value, the Company would then measure the amount of impairment for the cost center by comparing the carrying amounts of petroleum and natural gas properties and equipment to an amount equal to the estimated net present value of future cash flows from proved plus a portion of probable reserves and the sale of unproved properties. A risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying amount would be recorded as a permanent impairment.

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

4. Summary of significant accounting policies (continued)

(c) Site restoration and abandonment

The estimated cost of site restoration and abandonment of petroleum and natural gas properties is based on the current cost, net of salvage values, and the anticipated method and extent of site restoration in accordance with existing legislation and industry practice. Estimated future site restoration and abandonment costs are accrued on the unit-of-production basis based on gross proven reserves, until the value of the total value of estimated site restoration for the Company is reached. Future site restoration and abandonment expenditures are charged to the accumulated provision as incurred.

(d) Joint operations

A portion of the Company's exploration, development and production activities are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The amounts recorded for depletion and depreciation of petroleum and natural gas properties and equipment, the provision for site restoration and abandonment and the ceiling test calculation are based on estimates of gross proven reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. These estimates are reviewed regularly and changes in such estimates in future years could be significant. As adjustments become necessary, they are reported in earnings in the periods in which they become known.

(f) Revenue recognition

Petroleum and natural gas revenues are recognized when title passes from the Company to its customers.

(g) Cash and cash equivalents

Cash and cash equivalents include bank accounts, an operating line, and term deposits with maturities of less than three months.

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

4. Summary of significant accounting policies (continued)

(h) Future income taxes

The Company follows the liability method of accounting for income taxes. Under this method future tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in net income in the period in which the change is substantively enacted. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(i) Foreign exchange

Monetary assets and liabilities of integrated foreign operations are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets, liabilities, and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction, except for depletion and amortization. Depletion and amortization are translated at the same rate as the related assets. Gains or losses arising from foreign currency translation are included in the determination of income.

(j) Stock-based compensation

Under the Company's stock option plan, options to purchase common shares are granted to directors, officers and employees at current market prices. Options granted by the Company in 2003 are accounted for in accordance with the fair-value method of accounting for stock-based compensation, and as such the cost of the option is charged to earnings with an offsetting amount recorded to contributed surplus, based on an estimate of the fair value using a Black-Scholes option-pricing model.

(k) Earnings per share

Per share information is calculated using the weighted average number of common shares outstanding during the fiscal year. The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of "in-the-money" stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

5. Cash and cash equivalents

Credit facilities in place with a Canadian bank include a revolving operating line of credit authorized to a maximum of \$1,750,000, with interest at bank prime plus 1.25%, and a non-revolving demand loan authorized to a maximum of \$500,000 with interest at bank prime plus 1.75%. No amounts are outstanding at December 31, 2003 on these facilities. The loans are secured by an assignment of accounts receivable and a \$5,000,000 debenture with a floating charge over all assets of the Company with a Negative Pledge and Undertaking to provide fixed charges on the Company's major producing petroleum properties at the request of the bank.

In the prior year, an operating line of credit was authorized with a US bank bearing interest at not less than 4.5% and not greater than 10%. At December 31, 2002, \$118,320 bearing interest at 7.5% was outstanding.

6. Refundable drilling deposit

The refundable drilling deposit is with the State of Montana and bears interest at 2.00% (2002 – 3.35%).

7. Petroleum and natural gas properties and equipment

	2003		2002	
	Cost	Accumulated Depletion	Net	Net
Petroleum and natural gas properties	\$ 4,615,019	\$ 1,251,649	\$ 3,363,370	\$ 3,124,712
Well equipment	708,361	233,426	474,935	596,632
Office furniture and equipment	29,492	20,379	9,113	3,612
	<u>\$ 5,352,872</u>	<u>\$ 1,505,454</u>	<u>\$ 3,847,418</u>	<u>\$ 3,724,956</u>

As at December 31, 2003, the estimated unrecorded future site restoration costs to be recognized over the remaining proven reserves are approximately \$472,000 (2002 - \$705,000) of which \$30,749 (2002 – \$25,851) has been included in depletion, depreciation and site provision.

In conducting the ceiling test as at December 31, 2003, the Company's estimated future cash flows from proven reserves exceeded the carrying value of the related petroleum and natural gas properties and equipment using the following future commodity price assumptions, adjusted for quality and estimated transportation costs pertaining to the following:

Natural Gas	– Canada	– spot natural gas postings at AECO
	– United States	– spot natural gas postings at AECO
Crude Oil	– Canada	– crude oil refinery postings at Edmonton par

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

7. Petroleum and natural gas properties and equipment (continued)

	2004	2005	2006	2007	2008	% Change Thereafter
Natural gas (\$/mcf)						
Canada	6.13	5.39	4.64	4.68	-	-
United States	6.10	5.41	4.93	4.96	5.02	+ 1.6%
Crude oil (\$/bbl)						
Canada	32.08	29.27	28.17	27.61	28.20	+ 2.7%

During the years ended December 31, 2003 and 2002, the Company has capitalized no interest and no general and administrative costs.

At December 31, 2003 and 2002, the Company has not excluded any unproved properties from the depletion base.

8. Impairment

The carrying value of processing facilities, constructed in 2002 to process gas from one of the Company's United States properties, has been reduced to its estimated salvage value of \$37,812. The carrying value of the facilities was reduced as the related oil and gas properties at December 31, 2003 have not been proven to be capable of economic production and have not been assigned any oil and gas reserves. The reduction in the carrying value of the facilities of \$134,437 is described as reduction in value of processing facilities on the statement of income.

9. Share capital

Authorized

Unlimited number of Common voting shares

Unlimited number of First Preferred shares issuable in series

Unlimited number of Second Preferred shares issuable in series

Issued – Common Shares

	Number	Amount
Balance December 31, 2001	5,280,669	\$ 1,476,820
Issued on exercise of stock options	350,000	82,500
Balance December 31, 2002 and 2003	5,630,669	\$ 1,559,320

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

9. Share capital (continued)

Stock options

A Stock Option Plan has been established for the benefit of directors, officers and key employees. Under the plan, the terms, conditions and limitations are determined at the discretion of the Board of Directors. The exercise price cannot be less than the fair market value of the common shares less the maximum discount permitted by the stock exchanges upon which the Common shares are listed. The options expire five years from the date of grant. Presently, the Company's policy is to issue options that vest equally over a three year period from the date of grant. The aggregate number of shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Company from time to time.

As discussed in note 3, the Company calculated the value of stock-based compensation using a Black-Scholes option pricing model to estimate the fair value of stock options at the date of grant. The estimated fair value of options is amortized to expense over the options' vesting periods. For stock options granted in 2003, \$15,570 has been charged to income. No stock options were granted during 2002.

During 2003, 250,000 options were granted to officers and directors of which 150,000 options are exercisable on the first anniversary of the date of grant and 50,000 options are exercisable on each of the second and third anniversaries.

The assumptions made for the options granted during 2003 include a volatility factor of expected market price of 96%, a weighted average risk-free interest rate of 4.25%, no dividend yield and a weighted average expected life of options of five years. The weighted average grant date fair value was \$0.15 per share.

A summary of the status of the stock option plan as of December 31, 2003 and 2002, and changes during the years then ended, is presented below:

	<u>2003</u>		<u>2002</u>	
	Number of Shares	Weighted Average Exercise Price (\$)	Number of Shares	Weighted Average Exercise Price (\$)
Outstanding, beginning of year	160,000	0.33	510,000	0.27
Granted	250,000	0.35	-	
Cancelled	(50,000)	0.40	-	
Exercised	<u>-</u>		<u>(350,000)</u>	0.24
Outstanding, end of year	<u>360,000</u>	0.32	<u>160,000</u>	0.33
Exercisable, end of year	<u>110,000</u>	0.25	<u>160,000</u>	0.33

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

9. Share capital (continued)

The following table summarizes information about stock options outstanding at December 31, 2003:

Exercise Price \$	Number of Shares Outstanding	Weighted Average Remaining Life (Years)	Number of Shares Exercisable
0.20	50,000	1.2	50,000
0.30	60,000	2.2	60,000
0.35	250,000	4.5	-
	<u>360,000</u>		<u>110,000</u>

The following table summarizes information about stock options outstanding at December 31, 2002:

Exercise Price \$	Number of Shares Outstanding	Weighted Average Remaining Life (Years)	Number of Shares Exercisable
0.20	50,000	2.2	50,000
0.30	60,000	3.2	60,000
0.40	50,000	3.4	50,000
	<u>160,000</u>		<u>160,000</u>

10. Income taxes

Income tax expense differs from what would be expected by applying the effective income tax rate of 40.62% to Canadian income and 36.30% to United States income. The difference results from the following:

	2003			2002
	Canada	United States	Total	Total
Expected income tax provision	\$ 6,301	\$ 95,544	\$ 101,845	\$ 84,435
Increase (decrease) income tax provision:				
Change in tax rates	36,889	2,951	39,840	25,000
Reduction due to graduated rates		(11,258)	(11,258)	(9,863)
Statutory depletion	-	(51,193)	(51,193)	(1,366)
Decrease in valuation allowance	(117,409)	-	(117,409)	-
Previously unrecognized future tax liabilities	-	-	-	25,000
Other	(781)	-	(781)	8,373
	<u>\$ (75,000)</u>	<u>\$ 36,044</u>	<u>\$ (38,956)</u>	<u>\$ 131,579</u>

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

10. Income taxes (continued)

The significant components of the Company's future income tax asset related to Canadian operations are as follows:

	<u>2003</u>	<u>2002</u>
Tax basis of property and equipment in excess of carrying value	\$ 623,000	\$ 711,000
Future site restoration	28,000	26,000
Share issue costs	<u>6,000</u>	<u>4,000</u>
	657,000	741,000
Valuation allowance	<u>(232,000)</u>	<u>(391,000)</u>
	<u>\$ 425,000</u>	<u>\$ 350,000</u>

The valuation allowance relates to successor petroleum and natural gas tax pools which management estimates will not be utilized. In 2003, the Company has estimated a higher utilization of the successor petroleum and natural gas tax pools resulting in an increase to the future income tax asset and a corresponding benefit included in the future income tax provision amounting to \$117,409.

The significant components of the Company's future income tax liability related to United States operations are as follows:

	<u>2003</u>	<u>2002</u>
		(restated – note 2)
Carrying value of property and equipment in excess of tax basis	\$ 392,000	\$ 376,300
Future site restoration	<u>(31,000)</u>	<u>(32,000)</u>
	<u>\$ 361,000</u>	<u>\$ 344,300</u>

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

11. Segmented disclosures

The Company has two reportable geographic segments, the Canadian operations and the United States operations.

	2003		
	Canada	United States	Total
Petroleum and natural gas revenue	\$ 535,067	\$ 1,224,784	\$ 1,759,851
Royalties	(54,232)	(174,562)	(228,794)
Interest and other	1,119	(8,368)	(7,249)
Operating and general and administrative expense	(404,228)	(452,185)	(856,413)
Depletion, depreciation and site restoration	(62,214)	(189,116)	(251,330)
Reduction in value of processing plant	-	(134,437)	(134,437)
Foreign exchange loss	-	(2,872)	(2,872)
Income taxes	75,000	(36,044)	38,956
	<u>\$ 90,512</u>	<u>\$ 227,200</u>	<u>\$ 317,712</u>
Identifiable assets	<u>\$ 1,976,094</u>	<u>\$ 2,913,638</u>	<u>\$ 4,889,732</u>
Expenditures on petroleum and natural gas properties and equipment	<u>\$ 133,544</u>	<u>\$ 343,936</u>	<u>\$ 477,480</u>
	2002		
	Canada	United States	Total
Petroleum and natural gas revenue	\$ 432,829	\$ 767,375	\$ 1,200,204
Royalties	(23,549)	(111,335)	(134,884)
Interest and other	(20,286)	7,124	(13,162)
Operating and general and administrative expense	(291,462)	(391,407)	(682,869)
Depletion, depreciation and site restoration	(21,202)	(169,078)	(190,280)
Foreign exchange gain	-	47,666	47,666
Income taxes (recovery)	(59,000)	(72,579)	(131,579)
	<u>\$ 17,330</u>	<u>\$ 77,766</u>	<u>\$ 95,096</u>
Identifiable assets	<u>\$ 1,876,840</u>	<u>\$ 2,603,904</u>	<u>\$ 4,480,744</u>
Expenditures on petroleum and natural gas properties and equipment	<u>\$ 77,965</u>	<u>\$ 793,926</u>	<u>\$ 871,891</u>

High Plains Energy Inc.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

12. Financial instruments

Fair value

The Company's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates their fair values due to the immediate or short-term maturity of these instruments.

Credit risk

The Company is exposed to credit risks on the accounts receivable with customers and joint venture partners in the petroleum and natural gas industry. The Company sells its production through a combination of marketing companies and joint venture operators under normal industry sale and payment terms.

Exchange rate risk

The Company is subject to exchange rate risk as a portion of its working capital is denominated in U.S. dollars.

Interest rate risk

The Company is subject to a floating interest rate on its credit facilities.

Commodity price risk

The nature of the Company's operations results in exposure to fluctuation in commodity prices.

At December 31, 2003 the Company has no forward contracts outstanding or any financial instruments related to exchange rates, interest rates or commodity prices.

13. Change in non-cash working capital

	<u>2003</u>	<u>2002</u>
Accounts receivable	\$ (74,914)	\$ 87,008
Prepaid deposits	(87,786)	-
Accounts payable and accrued liabilities	<u>28,256</u>	<u>(657,989)</u>
	(134,444)	(570,981)
Less amounts related to investing activities	<u>(134,444)</u>	<u>(654,960)</u>
Non-cash working capital related to operating activities	<u>\$ -</u>	<u>\$ 83,979</u>

14. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's earnings.

HIGH PLAINS ENERGY INC.
MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

THIS MANAGEMENT INFORMATION CIRCULAR ("MANAGEMENT INFORMATION CIRCULAR") IS PROVIDED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF HIGH PLAINS ENERGY INC. (THE "CORPORATION") of proxies from common shareholders for the Annual General and Special Meeting of the Shareholders of the Corporation (the "Meeting") to be held on WEDNESDAY, MAY 19, 2004 at 10:00 a.m. at the Glacier Lily Room - Mezzanine Level, Sheraton Suites, Calgary Eau Claire, 255 Barclay Parade S.W., Calgary, Alberta, or at any adjournment thereof for the purposes set out in the accompanying notice of meeting ("Notice of Meeting"). Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares (as defined below) held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named (the "Management Designees") in the enclosed instrument of proxy ("Instrument of Proxy") have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Corporation. Such shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and should provide instructions on how the shareholder's shares are to be voted. The nominee should bring personal identification with him to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his shares.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Corporation's transfer agent, Valiant Trust Company, 510, 550 - 6th Avenue S.W., Calgary, Alberta T2P 0S2, at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the shareholder or by his authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Corporation or with Valiant Trust Company, 510, 550 - 6th Avenue S.W., Calgary, Alberta T2P 0S2, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his shares.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Circular as “Beneficial Shareholders”) should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, *not* be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depositary for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications (“ADP”) in Canada. ADP typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to ADP, or otherwise communicate voting instructions to ADP (by way of the Internet or telephone, for example). ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives an ADP voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to ADP (or instructions respecting the voting of Common Shares must otherwise be communicated to ADP) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

VOTING OF PROXIES

Each shareholder may instruct his proxy how to vote his Common Shares by completing the blanks on the Instrument of Proxy. All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Common Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification as to voting on the Instrument of Proxy, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Common Shares represented by such form of proxy will be voted in favour of the matters set out therein.**

The enclosed Instrument of Proxy confers discretionary authority upon the Management Designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Corporation is not aware of any amendments to, variations of or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the Management Designees intend to vote in accordance with the judgment of management of the Corporation.

QUORUM

The By-laws of the Corporation provide that a quorum of shareholders is present at a meeting of shareholders if two holders of at least one (1) share each entitled to vote at a meeting of shareholders are present in person or by proxy.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of common shares ("Common Shares") and an unlimited number of preferred shares. As at the effective date of this Management Information Circular (the "Effective Date"), which is March 23, 2004, the Corporation has 5,630,669 Common Shares without nominal or par value outstanding. There are no preferred shares issued or outstanding. The Common Shares are the only shares entitled to be voted at the Meeting, and holders of Common Shares are entitled to one vote for each Common Share held.

Holders of Common Shares of record at the close of business on March 23, 2004 (the "Record Date") are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share held except to the extent that, (a) the holder has transferred the ownership of any of his Common Shares after the Record Date, and (b) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he owns the Common Shares, and demands not later than ten (10) days before the day of the Meeting that his name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his Common Shares at the Meeting.

To the knowledge of the directors and Executive Officers (as hereinafter defined in "Compensation of Executive Officers") of the Corporation, as at the Effective Date, no person, firm or corporation beneficially owned, directly or indirectly, or exercised control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation, except for as indicated below:

Name	Type of Ownership	Number of Common Shares Owned or Controlled at the Effective Date	Percent of Outstanding Common Shares
Harold E. Bowman Calgary, Alberta	Registered and Beneficial	1,849,000	32.83%

EXECUTIVE COMPENSATION

Compensation of Executive Officers

“Executive Officer” means the Chairman and any vice-chairman of the Board of Directors, president, secretary or any vice-president and any officer of the Corporation or of any of its subsidiaries who performs a policy making function in respect of the Corporation. As at the Effective Date and during the most recently completed fiscal year, the Corporation has two (2) Executive Officers, one of whom is also a director and one of whom is Secretary to the Corporation. During 2003 an Executive Officer, Mr. Hermen E. Leith, Vice President Production, resigned as of September 30, 2003 and has not been replaced. The aggregate cash compensation (including salaries, fees, director’s fees, commissions, bonuses paid for services rendered during the most recently completed fiscal year, bonuses paid for services rendered in a previous year, and any compensation other than bonuses earned during the most recently completed fiscal year the payment of which was deferred) paid to the Executive Officers (or corporations controlled by Executive Officers), in the capacity as an Executive Officer, for the most recently completed fiscal year, was C\$132,704.

Additional Compensation of the President and C. E. O., a Bonus Plan

In addition to the salary component of the compensation, the Compensation Committee, comprised of Mr. Michael A. Williams, Chairman, Mr. Philip H. Grubbe, and Mr. Hermen E. Leith, proposed a bonus plan for the President and C. E. O., such plan was adopted and passed by resolution of the Board of Directors. The plan is as follows:

- (a) For every 10 BOE increase in daily average production volumes over the previous year resulting from exploration and development activities, an annual bonus of Cdn \$5,000 will be payable, and
- (b) For every 100,000 BOE increase in proved developed producing reserves over the previous year an annual bonus of Cdn \$15,000 will be payable, and
- (c) Additional bonuses may be implemented by the Board for other successful projects initiated and executed by the President

Summary Compensation

The following table, presented in accordance with the Regulations made under the *Securities Act* (British Columbia) (the “Regulation”), sets forth all annual and long term compensation for services in all capacities to the Corporation for the three most recently completed fiscal years (to the extent required by the Regulation), in respect of the individual(s) who were, at the end of the most recently completed fiscal year, acting in a capacity similar to a Chief Executive Officer of the Corporation and the four most highly compensated Executive Officers whose compensation was greater than \$100,000 (“Named Executive Officer(s)”).

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and principal position	Year Ended	Salary in Dollars (\$)	Bonus (\$)	Other annual compensation (\$)	Securities under options/ SARs ⁽¹⁾ Granted	Restricted Shares or Restricted Share Units (\$)	LTIP ⁽²⁾ Payouts (\$)	All other compensation (\$)
Harold E. Bowman President	2003	85,444	Nil	Nil	200,000 ⁽³⁾	200,000 ⁽³⁾	NIL	NIL
	2002	73,189	Nil	Nil	250,000	Nil	Nil	Nil
	2001	74,385	Nil	Nil	200,000	Nil	Nil	Nil

Notes:

(1) “SARs” or “Stock appreciation right” means a right granted by the Corporation, as compensation for services rendered, to

receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities of the Corporation.

- (2) "LTIP " or "long term incentive plan" means any plan which provides compensation intended to serve as incentive for performance to occur over a period longer than one financial year, but does not include option or stock appreciation right plans or plans for compensation through restricted shares or restricted share units.
- (3) That the 200,000 stock options granted to Mr. Harold E. Bowman, President and CEO with an exercise price of \$0.35 and an expiry date of June 23, 2008 (or such other price or conditions as the applicable regulatory authority may determine) are granted provided that 100,000 of such options granted are to vest and may be exercisable on or after but not before June 23, 2004, 50,000 of such options granted are to vest and be exercisable on or after but not before June 23, 2005, and 50,000 of such options granted are to vest and may be exercisable on or after but not before June 23, 2006.

Compensation of Directors

Members of the Board of Directors of the Corporation, Committee Chairmen and Committee members by virtue of a resolution passed by the Board of Directors of the Corporation are compensated by the Corporation in following manner: an annual retainer in the amount of \$3,000 is paid on a quarterly basis to each Member of the Board of Directors; and a fee of \$250.00 is paid to each Member of the Board of Directors for attendance at each Board of Directors meeting; and an annual retainer in the amount of \$2,000 is paid to each member appointed Chairman of a Committee (as of the Effective Date the Corporation has an Audit Committee and a Compensation Committee) and a fee of \$250.00 is paid to each committee member for attendance at each committee meeting. During the year a total of \$19,750.00 in fees were paid to Members of the Board of Directors as retainers and for attendance at meetings. Such fees are included in the amounts shown below as being paid to the directors. Fees paid to Mr. Michael A. Williams in the amount of \$23,177 include \$17,427 for financial consulting services in respect of that certain consulting agreement with Michael A. Williams, a director of the Corporation, to provide consulting services to the Corporation at a rate of \$600.00 per day plus reasonable out-of-pocket expenses. Fees paid to Mr. Hermen E. Leith in the amount of \$33,600 include \$28,850 in respect of that certain consulting agreement with Hermen E. Leith, a director of the Corporation and formerly Vice President, Production, to provide consulting services to the Corporation at a rate of \$50.00 per hour plus reasonable out-of-pocket expenses. Director fees of \$2,750 were paid to Philip H. Grubbe and in addition, director fees of \$1,250 and \$500 were paid to Messrs. Daniel Z. Remenda and Gregory L. Wells, respectively, both of whom resigned as directors of the Corporation during 2003.

Executive Officers of the Corporation who also act as directors of the Corporation also receive additional compensation as fees for services rendered in their capacity as directors as outlined above as well as payment by the Corporation to such Executive Officers in their capacity as Executive Officers. See "*Compensation of Executive Officers*".

Stock Option Plan and Stock Options

The shareholders of the Corporation adopted a stock option plan in 1992 (the "Old Plan"). The Old Plan provides that the number of shares that may be reserved for issuance under the Old Plan shall not exceed the maximum number of shares permitted under the rules of any stock exchange on which the shares of the Corporation trade. The Old Plan provides that the terms of the option and the option price shall be fixed by the directors subject to the price restrictions imposed by the Exchange. The Old Plan also provides that no option shall be granted to any person except upon recommendation of the directors of the Corporation and only directors, officers, employees and other key personnel of the Corporation or its subsidiaries may receive stock options. Stock options granted under the Old Plan may not be for a period longer than five years and the exercise price must be paid in full upon exercise of the option. As a result of changes in the policies of the Exchange, a new plan has been approved the Board of Directors by a resolution dated March 12, 2003 and was ratified and approved by the shareholders at the last Annual and Special Meeting held on April 23, 2003.

For the Corporation's most recently completed fiscal year, options to purchase Common Shares in the amount of 250,000 were granted to one Executive Officer and one Director. The following table sets forth options granted to Executive Officers and Directors of the Corporation which are outstanding as at the date hereof.

Group (Number of Persons in Group)	Number of Common Shares Under Option	Date of Grant	Expiry Date	Exercise Price per Common Share
<u>Executive Officers</u>				
Harold E. Bowman ⁽¹⁾	200,000 ⁽⁴⁾	2003-6-23	2008-6-23	\$0.35
Hermen E. Leith ⁽²⁾	50,000	2000-2-29	2005-2-28	\$0.20
Robin Chan ⁽³⁾	10,000	2001-3-12	2006-3-10	\$0.30
<u>Directors</u>				
Michael A. Williams	50,000	2001-3-12	2006-3-10	\$0.30
Philip H. Grubbe	50,000 ⁽⁵⁾	2003-6-23	2008-6-23	\$0.35
Employee	Nil			
TOTAL	360,000			

(1) President and CEO of the Corporation.

(2) Vice President Production (Resigned effective September 30, 2003).

(3) Secretary of the Corporation.

(4) The 200,000 stock options granted to Mr. Harold E. Bowman, President and CEO with an exercise price of \$0.35 and an expiry date of June 23, 2008 (or such other price or conditions as the applicable regulatory authority may determine) are granted provided that 100,000 of such options granted are to vest and may be exercisable on or after but not before June 23, 2004, 50,000 of such options granted are to vest and be exercisable on or after but not before June 23, 2005, and that 50,000 of such options granted are to vest and may be exercisable on or after but not before June 23, 2006.

(5) The 50,000 Stock Options granted to Mr. Philip H. Grubbe, Director with an exercise price of \$0.35 and an expiry date of June 23, 2008 (or such other price or conditions as the applicable regulatory authority may determine) are granted provided that 50,000 of such options granted are to vest and may be exercisable on or after but not before June 23, 2004.

Stock Options/SAR Grants to Named Executive Officer(s) During the Most Recently Completed Financial Year

During the Corporation's most recent fiscal year the Corporation granted options to purchase or acquire 200,000 Common Shares of the Corporation to Harold E. Bowman as shown in the table above. No other options to purchase or acquire securities of the Corporation (whether or not intended with SARs and free standing SARs) were granted to the Named Executive officers.

Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values

The following table sets forth, in accordance with the Regulation to the *Securities Act* (British Columbia), information for each Named Executive Officer in respect of each exercise of options and free standing SARs, if any, during the Corporation's most recent fiscal year and the fiscal year end of unexercised options and SARs.

Name and Position	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2003 Exercisable/Unexercisable	Value of Unexercised "in the money" Options at December 31, 2003 Exercisable/Unexercisable
Harold E. Bowman	Nil	Nil	Nil/200,000	Nil/Nil
Hermen E. Leith	Nil	Nil	50,000/Nil	\$7,000/Nil
Robin Chan	Nil	Nil	10,000/Nil	\$400/Nil

Notes:

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year-end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at December 31, 2003, being \$0.34 per Common Share, and the exercise price of the options
- (3) None of the Securities acquired on exercise have been sold. The Market value of Securities underlying option on date of Grant (\$/Security) was nil.

Long-Term Incentive Plans - Awards in Most Recently Completed fiscal year

The Corporation has not had and does not currently have any long term incentive plans other than options granted from time to time under the Plan. See "*Stock Option Plan and Stock Options*".

Stock Option and SAR Repricing

The Corporation did not make any downward repricing of stock options or stock appreciation rights during the most recently completed fiscal year.

Pension and Retirement Plans and Payments Made Upon Termination of Employment

The Corporation does not have any pension or retirement plan which is applicable to the Executive Officers. The Corporation has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now or previously has acted as an Executive Officer of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of change of control of the Corporation, its subsidiaries or affiliates. The Corporation is not party to any compensation plan or arrangement with the Executive Officers resulting from the resignation, retirement or termination of employment of such persons.

Employment Contracts

The Corporation does not have in place any employment contract between the Corporation or any subsidiary or affiliate thereof and the Named Executive Officers, **other than** the Corporation entered into an employment agreement effective January 1, 1995 with its President and Chief Executive Officer for an unlimited term. The agreement provides for an annual gross salary and benefits equal to \$84,866 at the 2003 weighted average exchange rate with the \$ US or \$US60,000 subject to periodic review. In the event of termination of employment in certain circumstances, including termination following a change of control of the Corporation, the agreement provides for the payment to the President and Chief Executive Officer of an amount equal to two and one half times his current gross annual salary.

On April 29, 1998, the Corporation entered into a consulting agreement with Michael A. Williams, a director of the Corporation, to provide consulting services to the Corporation at a rate of \$600.00 per day plus reasonable out-of-pocket expenses. During 2003, Mr. Williams received \$17,427 for consulting services. On October 29, 1999, the Corporation entered into a consulting agreement with Hermen E. Leith, a director of the Corporation and Vice President, Production; to provide consulting services to the Corporation at a rate of \$50.00 per hour plus reasonable out-of-pocket expenses. During 2003, Mr. Leith received \$28,850 for consulting services. On May 18, 2000, the Corporation entered into a consulting agreement with Robin Chan,

the Secretary of the Corporation; to provide consulting services to the Corporation at a rate of \$40.00 per hour, which was increased to \$45.00 per hour commencing July 1, 2001, plus reasonable out-of-pocket expenses. During 2003, Mr. Chan received \$8,910 for consulting services.

Other Compensation

Other than as set forth herein, the Corporation did not pay any other compensation to the Executive Officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed fiscal year other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

MANAGEMENT CONTRACTS

Other than as set forth in Compensation of Directors, during the most recently completed financial year, no management functions of the Corporation were, to any substantial degree, performed by a person or company other than the directors or Executive Officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

During the most recently completed fiscal year, no director, Executive Officer, senior officer, nominee for election as a director, nor any of their respective associates or affiliates, is, or has been at any time since the beginning of the last completed fiscal year, indebted to the Corporation or its subsidiary nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation **other than** the carryover balance of an advance made to Mr. Bowman in 2002 in the amount of \$17,376. The balance owing was paid by payments of \$13,540 prior to the end of March 31, 2003 and another payment prior to the end of June 30, 2003 such that at the end of June 30, 2003 the Corporation owed Mr. Bowman the sum of \$2,923 as unpaid wages and benefits. That amount has been properly disbursed to Mr. Bowman leaving a nil balance at the end of the year 2003.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or Executive Officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding fiscal year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as otherwise set out herein, no director or Executive Officer of the Corporation or any proposed nominee of management of the Corporation for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board of Directors of the Corporation, the only matters to be brought before the meeting are those matters set forth in the accompanying Notice of Meeting.

1. Report and Financial Statements

The Board of Directors of the Corporation has approved all of the information in the audited financial statements of the Corporation for the year ended December 31, 2003, copies of which are delivered herewith.

2. Fix Number of Directors to be Elected

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected. In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by shareholders who vote in respect of the resolution.

At the Meeting, it will be proposed that five (5) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the ordinary resolution fixing the number of directors to be elected at five (5).**

3. Election of Directors

The Corporation currently has five (5) directors. Four of these directors are being nominated for re-election. The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by such nominee, the nominee's municipality of residence, principal occupation at the present and during the preceding five years, the period during which the nominee has served as a director, and the number and percentage of Common Shares of the Corporation that the nominee has advised are beneficially owned by the nominee, directly or indirectly, or over which control or direction is exercised, as of the Effective Date.

Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to the Board of Directors. Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, **proxies held by Management Designees will be voted for another nominee in their discretion unless the shareholder has specified in his form of proxy that his Common Shares are to be withheld from voting in the election of directors.** Each director elected will hold office until the next annual general meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the *Business Corporations Act* to which the Corporation is subject.

Name and Place of Residence	Position with the Corporation and Year first Appointed a Director	Principal Occupation During Past 5 Years	Number and Percentage of Common Shares Beneficially Owned or Controlled ⁽¹⁾
Harold E. Bowman (2) Calgary, Alberta	1991	President and CEO of the Corporation	1,849,000 (32.83%)
P. H. (Phil) Grubbe Calgary, Alberta	2003	Vice President Finance Chief Financial Officer, Upton Resources Inc.	0 (0%)
Hermen E. Leith Calgary, Alberta	1999	Consultant, Petroleum Engineer	50,000 (0.89%)
Michael A. Williams (2) Calgary, Alberta	1998	President, West Canadian Oil and Gas Inc. Financial Consultant	77,100 (1.37%)
John J. Newman Calgary, Alberta	Nominee	Petroleum Management Consultant	Nil

Notes:

- (1) The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective nominees.
- (2) Denotes members of the audit committee.
- (3) The Corporation does not have an executive committee nor a compensation committee.

Pursuant to the provisions of the *Business Corporations Act* (Alberta) the Corporation is required to have an audit committee. The general function of the audit committee is to review the overall audit plan and the Corporation's system of internal controls, to review the results of the external audit, and to resolve any potential dispute with the Corporation's auditors. The audit committee of the Corporation currently consists of Messrs. Harold Bowman, Michael Williams and Mr. Philip H. Grubbe

4. Appointment of Auditor

Unless such authority is withheld, the Management Designees, if named as proxy, intend to vote the Common Shares represented by any such proxy in favour of a resolution appointing of Kenway Mack Slusarchuk Stewart, Chartered Accountants, as auditor for the Corporation for the next ensuing year, to hold office until the close of the next annual general meeting of shareholders or until the firm of Kenway Mack Slusarchuk Stewart, Chartered Accountants, is removed from office or resigns as provided law by the Corporation's By-laws, and authorizing the Board of Directors to fix the compensation of the auditors. Kenway Mack Slusarchuk Stewart, Chartered Accountants, have been the auditor of the Corporation since June 6, 1992.

5. Approval of Stock Option Plan

The Corporation is proposing to adopt, amend and use a stock option plan as approved by the Shareholders at the last Annual and Special Meeting held April 23, 2003 (the "Stock Option Plan"), attached hereto as Exhibit "I". The adoption and amendment of the Stock Option Plan is subject to the approval of the Exchange and the shareholders of the Corporation.

Under the Stock Option Plan, the aggregate number of Common Shares to be delivered upon the exercise of all stock options granted thereunder is limited to 10% of the Corporation's issued and outstanding Common Shares at the date of grant. Under the Stock Option Plan, the aggregate number of Common Shares that may be issued pursuant to the exercise of stock options to any one individual in a 12-month period cannot exceed 5% of the issued and outstanding Common Shares of the Corporation.

The Board of Directors approved the Stock Option Plan by a directors' resolution dated March 26, 2004. The shareholders of the Corporation will be asked to consider and if thought fit, approve an ordinary resolution authorizing the Stock Option Plan **In the absence of contrary directions, the Management Designees intend to vote proxies in the accompanying form in favour of this ordinary resolution.**

The text of the ordinary resolution which management intends to place before the Meeting for the approval, adoption and ratification of the Stock Option Plan is as follows:

"Be it resolved as an ordinary resolution of the Corporation that:

- 1. the Stock Option Plan of the Corporation substantially in the Form attached as Exhibit I to the management information circular of the Corporation prepared for the purpose of the Meeting be and is hereby ratified, approved and adopted.**
- 2. the form of the Stock Option Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation;**

4. the shareholders of the Corporation hereby expressly authorize the Board of Directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
5. any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this special resolution.”

OTHER BUSINESS

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

GENERAL

Unless otherwise directed, it is management’s intention to vote proxies in favour of the resolutions set forth herein. All special resolutions to be brought before the Meeting require, for the passing of the same, a two-thirds majority of the votes cast at the Meeting by the holders of Common Shares. All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common Shares. All approvals by disinterested shareholders require the approval of the shareholders not affected by, or interested in, the matter to be approved.

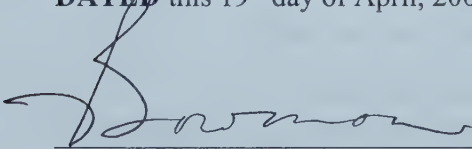
BOARD APPROVAL

The contents and the sending of this Management Information Circular have been approved by the Board of Directors of the Corporation.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

DATED this 19th day of April, 2004



Harold E. Bowman, President and CEO



Michael A. Williams, Chief Financial Officer

EXHIBIT I

STOCK OPTION PLAN

1. Purpose

The purpose of the Stock Option Plan (the “Plan”) of **HIGH PLAINS ENERGY INC.**, a corporation incorporated under the *Business Corporations Act* (Alberta) (the “Corporation”) is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Corporation (the “Shares”), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

2. Administration

The Plan shall be administered by the Board of Directors of the Corporation or by a special committee of the directors appointed from time to time by the Board of Directors of the Corporation pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation is hereinafter referred to as the “Board”). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

Each option granted by the Corporation prior to the date of the approval of the Plan by the shareholders of the Corporation, including options granted under previously approved stock option plans of the Corporation, be and are continued under and shall be subject to the terms of the Plan after the Plan has been approved by the shareholders of the Corporation.

3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the common shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the “Exchange”).

4. Shares Subject to Plan

Subject to adjustment as provided in Section 15 hereof, the Shares to be offered under the Plan shall consist of common shares of the Corporation's authorized but unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

5. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

6. Eligibility and Participation

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries ("Management Company Employees") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "Participants"). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares to be subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

7. Exercise Price

- (a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of an option may be reduced upon receipt of Board approval, provided that in the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

8. Number of Optioned Shares

- (a) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.
- (b) No single Participant may be granted options to purchase a number of Shares equaling more than 5% of the issued common shares of the Corporation in any one in any twelve-month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.
- (c) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries).
- (d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to employees of the Corporation (or of any of its subsidiaries) conducting investor relation activities. Options granted to persons performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the options vesting in any 3 month period.

9. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 11 and 12, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange ("TSX-V") the maximum term may not exceed 10 years if the Corporation is classified as a "Tier 1" issuer by the TSX-V, and the maximum term may not exceed 5 years if the Corporation is

classified as a "Tier 2" issuer by the TSX-V.

10. Option Period, Consideration and Payment

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 11 and 12 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.
- (d) Except as set forth in Sections 11 and 12, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries, or a Management Company Employee of the Corporation or any of its subsidiaries.
- (e) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any common shares of the Corporation unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

11. Ceasing To Be a Director, Officer, Consultant or Employee

If a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

12. Death of Participant

In the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that he was entitled to exercise the Option at the date of his death.

13. Rights of Optionee

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

14. Proceeds from Sale of Shares

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

15. Adjustments

If the outstanding common shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board in its discretion in the number or kind of Shares optioned and the exercise price per Share, as regards previously granted and unexercised options or portions thereof, and as regards options which may be granted subsequent to any such change in the Corporation's capital.

Upon the liquidation or dissolution of the Corporation or upon a re-organization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, or upon the sale of substantially all of the property or more than eighty (80%) percent of the then outstanding common shares of the Corporation to another corporation, the Plan shall terminate, and any options theretofore granted hereunder shall terminate unless provision is made in writing in connection with such transaction for the continuance of the Plan and for the assumption of options theretofore granted, or the substitution for such options of new options covering the shares of a successor employer corporation, or a parent or subsidiary thereof, with appropriate adjustments as to number and kind of shares and exercise prices, in which event the Plan and options theretofore granted shall continue in the manner and upon the terms so provided. If the Plan and unexercised options shall terminate pursuant to the foregoing sentence, the Shares subject to all options granted shall immediately vest and all Participants then entitled to exercise an unexercised portion of options then outstanding shall have the right at such time immediately prior to consummation of the event which results in the termination of the Plan as the Corporation shall designate, to exercise their options to the full extent not theretofore exercised.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

16. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

17. Amendment and Termination of Plan

Subject to applicable approval of the Exchange, the Board may, at any time, suspend or terminate the Plan. Subject to applicable approval of the Exchange, the Board may also at any time amend or revise the terms of the Plan; provided that no such amendment or revision shall alter the terms of any options theretofore granted under the Plan, unless shareholder approval, or disinterested shareholder approval, as the case may be, is obtained for such amendment or revision.

18. Necessary Approvals

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

19. Effective Date of Plan

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so

approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

20. **Interpretation**

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.

MADE by the Board of Directors of the Corporation as evidenced by the signature of the following director duly authorized in that behalf effective the 26th day of March 2004, and approved by the shareholders of the Corporation on _____, 2004.

HIGH PLAINS ENERGY INC.

Per: signed "Harold E. Bowman"
Harold E. Bowman



CORPORATE INFORMATION

Business office: 2240, 444 – 5th Ave. SW
Calgary, Alberta T2P 2T8
Tel. No. (403) 290-0078
Fax No. (403) 266-5959
Emai: bowmanh@highplainsenergy.ca

Registered Office: Borden Ladner Gervais LLP
1000 - 400 Third Avenue S. W.
Calgary, Alberta, T2P 4H2

Officers: Harold E. Bowman, President
Robin Chan, Secretary

Directors: Harold E. Bowman, Calgary
Philip H. Grubbe, Clagary
Hermen E. Leith, Calgary
Michael A. Williams, Calgary

Banker: National Bank of Canada
401 8th Avenue S. W.
Calgary, Alberta T2P 1E4

Solicitors: Borden Ladner Gervais LLP
1000 - 400 Third Avenue S. W.
Calgary, Alberta T2P 4H2

Auditors: Kenway Mack Slusarchuk Stewart
220, 333- 11th Avenue SW
Calgary, Alberta T2R 1L9

Registrar: Valiant Corporate Trust Company
510, 550-6TH Avenue SW
Calgary, Alberta T2P 0S2

Listing: TSX Venture Exchange
10TH Floor, 300 - 5TH Ave. SW
Calgary, Alberta T2P 3L4

TRADING SYMBOL: HYE